Supreme Court, U.S.
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No. 95-1115

In The

Supreme Court of the United States

October Term, 1995

FLAKT, INC.,

Petitioner,

vs.

JOY TECHNOLOGIES, INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR PETITIONER

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I.

JOY'S OPPOSITION HIGHLIGHTS THE NEED FOR A DEFINITIVE DECISION OF THIS COURT ON THE IMPORTANT QUESTIONS OF FEDERAL LAW PRESENTED IN FLAKT'S PETITION.

Joy's Opposition presents no genuine reason why this Court should not address the important questions presented in Flakt's Petition for Writ of Certiorari. Quiet the contrary, Joy's Opposition serves to highlight precisely why Flakt's Petition should be granted and why a decision of this Court is needed:

(1) As Joy's Opposition confirms, the lower courts have been in conflict and confusion with respect to the meaning and application of the "involuntary plaintiff' language of Rule 19(a), Fed. R. Civ. P., as amended in 1966, most notably because the plain language of this Rule, enacted with the authority of this Court, is in conflict with earlier authority of the Court in *Independent Wireless Telephone Co. v. Radio Corp. of America,* 269 U.S. 459 (1926).

(2) The Federal Circuit's purported resolution of this question neither convincingly, nor it is submitted, correctly, resolves the conflict, as even Joy's Opposition struggles with justifying the conclusion on law or policy. Because the question arises almost exclusively in patent law, and because the Federal Circuit's resolution of it carries the potential (indeed, provides a roadmap) for significant abuse of the patent system by foreign owners in enforcing their U.S. patents against U.S. citizens, the question is of importance to the Nation, and only this Court can now be looked to for guidance. *Cardinal Chem. Co. v. Morton Int'l Inc.*, 508 U.S. 83, __, 113 S. Ct. 1967, 1971 (1993) ("Because the Federal Circuit has exclusive jurisdiction over appeals from all United States District Courts in patent litigation, the rule that it applied in this case . . . is a matter of special important to the entire Nation. We therefore granted certiorari.").

II.

JOY'S STATEMENT OF FACTS IS NOT ACCURATE.

Contrary to Joy's assertions, Flakt has in no manner "distorted" the facts (Joy Opp'n at 1), nor is the "implication" of collusion between Joy and Niro "false and unwarranted," (Joy Opp'n at 3).

A. The Eve-of-Suit Agreement Was for a Collusive Purpose.

Joy asserts that this Court should ignore the implications deriving from the Joy-Niro 1989 agreement entered into one week before the action was commenced by Joy because Joy's right to sue derives from years-earlier agreements and activities. Joy, however, ignores that the district court conclusively determined that the 1985 Joy-Niro agreement did *not* give Joy the right to sue without joinder of Niro (A16-17), a ruling from which Joy took no appeal. Joy's argument also leaves unexplained, and is inconsistent with, the fact that the eve-of-suit agreement expressly stated that "Niro *grants* to Joy the exclusive right to bring suit [against Flakt] for infringement." (emphasis added). This grant hardly would have been necessary if, as Joy alleges, it always possessed such right.[1]

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1. Even if true, it is of no consequence that between Joy and Niro, Joy "had by far the greater interest in enforcement of the [Niro] '873 patent." (Joy Opp'n at 2.) In patent law standing is not determined based upon interest in, or even benefit from, the outcome. As noted by Judge Learned Hand, in *A.L. Smith Iron Co. v. Dickson*, 141 F.2d 3, 6 (2d Cir. 1944),

> It is indeed true that a mere licensee may have an interest at stake in such a suit; his license may be worth much more to him than the royalties which he has agreed to pay, and its value will ordinarily depend on his ability to suppress the competition of his rivals. The reason why he is not permitted to sue is not because he has nothing to protect.

Continuing its theme, Joy asserts that Niro's reason for its eve-of-suit grant to Joy of the exclusive right to proceed against Flakt, and Niro's reason for not voluntarily joining the action commenced by Joy against Flakt, was because of its "strong interest in maintaining a harmonious relationship with Flakt." (Joy Opp'n at 2-3.) Joy's difficulty here is two-fold. First, there is not a shred of evidence in the record where Niro states this "reason" for its actions. Second, the desire for "harmony" is entirely belied by Niro's agreement to supply one-half the funding for the suit, share in one-half the recovery, and cooperate fully with Joy in aid of prosecuting the action.

So too, Joy's assertion that the eve-of-suit agreement merely "resolve[d] the question—left unaddressed in the 1985 agreement — of how the proceeds of the litigation were to be divided" (Joy Opp'n at 3), is patently false. As the district court noted, the existing 1985 agreement already expressly provided that if Niro failed to proceed with suit against an infringer and Joy then instituted the action "in the name of Niro," Joy would bear all costs and receive all benefits from the suit. (A12.)

Indeed, then, it will be seen that the only possible intent of the 1989 eve-of-suit agreement was a collusive one. Under the 1985 agreement Niro would not receive any portion of the proceeds in an action commenced by Joy, but nevertheless, was a required party in such action. Under the 1989 agreement Niro secured a direct monetary stake in the outcome of any such action; yet at the very same time, Joy and Niro sought to *eliminate* the requirement that Niro be a party.[2]

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2. This collusion is made all the more apparent by the fact that *after* a liability judgment was secured by Joy, facilitated by Niro's absence as a party from whom Flakt could have obtained important discovery to defend the action, Niro then had a curious change of heart and sought, and succeeded over Flakt objection, to *voluntarily join the proceedings as a full party in the damages phase of the action and to assert its own claims for damages.*

B. Niro's Alleged Cooperation in Discovery Is Speculation and Cannot Render an Incorrect Decision Retroactively Correct.

Joy's arguments and assertions with respect to Niro's cooperation in discovery (Joy Opp'n at 4-6, 11-13) are to no avail. The inescapable fact is that owing to Niro's merely "involuntary" status, and the district court's absence of jurisdiction over Niro, Flakt was incapable of ascertaining or insuring that Niro cooperated in providing all information relevant to Flakt's defenses,and it is hardly cynical to suggest that Niro would have little motive to do so.[3] In fact, *after* entry of the liability judgment, it was revealed that Niro had indeed not made full disclosure, withholding for example, Niro documents critical to a Flakt laches defense.

Joy's approach to the matter of discovery is in any event backwards. The district court in this action undertook an analysis of all factors relevant under Rule 19, of which the availability of discovery is one. *See, e.g., Parkson Corp. v. Fruit of the Loom Inc.*, 28 U.S.P.Q.2d (BNA) 1066, 1070 (E.D. Ark. 1992); *Erbamont Inc. v. Cetus Corp.*, 720 F. Supp. 387, 395 (D. Del. 1989). The court concluded that "an adequate and binding remedy cannot be secured without the presence of Niro" (A17-19), a finding which, under Rule 19(b), dictated that the court

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3. Joy invites error by referring to the District Court's Order of December 10, 1993 with respect to Niro's alleged compliance "with all of Flakt's discovery requests." (Joy Opp'n at 5.) This Order, in a damages proceeding from which appeal has not yet been had and is not yet even ripe, cannot be accorded any relevance by this Court. The Order came long after entry of the liability judgment to which this present proceeding relates, and long after the Flakt notice of appeal from that liability judgment. Under settled law, the Order cannot have effect in this liability appeal because the filing of the notice of appeal "divest[ed] the district court of its control over those aspects of the case involved in the appeal." *Griggs v. Provident Consumer Discount Co.*, 459 U.S. 56, 58 (1982).

must dismiss the action, "the absent person thus being regarded as indispensable," Fed. R. Civ. P. 19(b). The court's error in permitting the action nevertheless to proceed through the unauthorized artifice of Niro's joinder as an involuntary plaintiff cannot be retroactively justified or corrected by reference to subsequent progress of the action and the district court's sense of whether or not Flakt was quantifiably prejudiced by Niro's absence.[4]

III.

JOY'S LEGAL ARGUMENTS ARE INCORRECT.

A. The Issues Presented by Petitioner for Review Are Not "Moot."

Joy asserts that the issues presented for review by Flakt are "moot under the facts of this case" because "Joy had sufficient rights to sue by itself and it was not truly necessary to name Niro" as an involuntary plaintiff. (Joy Opp'n at 7, 13-15.)

This argument simply is not available to Joy. In its Memorandum Opinion of May 3, 1991, the district court, analyzing the applicable agreements in extensive detail, conclusively determined that Joy's rights under the Niro U.S. patent on which it brought suit were *not* sufficient to confer upon Joy standing to sue in its own name. (A15-17.) Joy took no

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4. For this very reason, it was not necessary for Flakt to seek continuance of the trial "or other such relief" (Joy Opp'n at 6), for Niro's refusal to provide discovery as a full party and its refusal to respond to motions to compel, in order to preserve Flakt's right to appeal the court's fundamental error in permitting the action to go forward in the first place. Once the district court permitted the action to proceed as it did—that is, in the absence of a person who (a) was the patent owner in whose hands uniquely resided the information most crucial to Flakt's defenses, (b) was sharing the costs of the action, (c) was sharing in the proceeds, (d) was obligated to give Joy, but not Flakt, full cooperation and assistance, (e) had veto power over settlement, and (f) nevertheless took every step possible to avoid being named as a full participating party—the prejudice was foregone and could not be undone.

appeal from that ruling. Joy cannot now argue that the district court's determination was in error in an attempt to avoid the issues presented to this Court for review.[5]

Equally foreclosed from argument is Joy's suggestion that even if joinder of Niro as an involuntary plaintiff was impermissible as Flakt urges, the district court nevertheless would have permitted the action to go forward in Niro's absence as authorized by Federal Rule of Civil Procedure 19(b). (Joy Opp'n at 9 & n.8.) Apart from the fact that this amounts to sheer speculation, Joy ignores that the district court applied all the factors of Rule 19(a) and (b) and conclusively determined that "an adequate and binding remedy cannot be secured without the presence of Niro." (A17-19.) Joy took no appeal from that ruling. Thus, but for its utilization of the "involuntary plaintiff" artifice, the district court in fact had made the very finding which, under Rule 19(b), dictated that the action could *not* proceed in the absence of Niro and "should be dismissed, the absent person being thus regarded as indispensable."

B. Joy's Failure to Come To Grips with the Plain Meaning of Rule 19(a), Fed. R. Civ. P., Is Indicative of the Confusion in the Application of the Rule.

Joy asserts that the language of Rule 19(a) does not support

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5. Indeed, given the district court's conclusion that Joy did not have standing to bring the action, the court should have dismissed the action without considering Rule 19 at all. *See, e.g., Coast v. Hunt Oil Co.*, 195 F.2d 870, 872 (5th Cir.), *cert. denied*, 344 U.S. 836 (1952) (Involuntary plaintiff procedure does not entitle plaintiff to joinder of a person where the plaintiff himself has no standing, joint or otherwise, to maintain the action; Rule 19 "makes no provision for a plaintiff to require another person to maintain an action vested solely in such other person, even though its maintenance might result in benefit to the plaintiff."); *Raber v. Pittway Corp.*, 23 U.S.P.Q.2d (BNA) 1313, 1315 (N.D. Cal. 1992), *aff'd*, 996 F.2d 318 (Fed. Cir. 1993) ("Because RABER lacks standing, this court need not reach the issue of whether joinder of [the patent owner] as a necessary and indispensable party is mandated under Rule 19, FRCP.").

Flakt's position. (Joy Opp'n at 10.) In order to make such an assertion, Joy itself would have to ignore the *plain* language of the Rule.

Focusing solely on the language of the third sentence of Rule 19(a) and attempting to construe it *per se*, as Joy does, offers no possibility for arriving at the plain meaning of the whole Rule. The third sentence cannot be read without consideration of the introductory phrase of Rule 19(a),[6] that is, "A person *who is subject to service of process* . . . shall be joined if . . . ." (emphasis added.) All other references to the "person" in Rule 19(a), including reference in the third sentence to "the person" being made an "involuntary plaintiff," must be read and understood in light of the introductory predicate.

Joy's further postulate of "different categories" of persons "who should be plaintiffs" (Joy Opp'n at 10) is hopelessly tortured and illogical. Rule 19(a) means what it says. When a person who is subject to service of process is to be joined in the action as a necessary party, under Rule 19(a) analysis, there will be instances where it is apparent that the person should join voluntarily as a plaintiff, but simply refuses to do so. Rule 19 permits the named plaintiff in the action to serve the unwilling person with process (that is, literally sue the person) thus making the person "a defendant." In a "proper" case, such as here where the person so joined is the patent owner, the court can determine that the owner's interests are in no manner adverse to those of the licensee who instituted the infringement action, and thus align him with the plaintiff in the action (the owner quite accurately being referred to as an "involuntary" plaintiff). In other cases, for example, where the patent owner has itself in some manner aided the accused infringer's conduct, it will be perfectly proper to leave the owner as a defendant in the action, similar to any other defendant.

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6. *Schlagenhauf v. Holder*, 379 U.S. 104, 121 (1964) (stating that none of the Federal Rules of Civil Procedure should be expanded by disregarding plainly expressed limitations).

The "proper case" language of the third sentence of Rule 19(a), accordingly is not, as Joy asserts, an incorporation in the Rule of authority for joinder of persons who are not subject to service of process, for such language is subject to the overriding, and contrary, predicate phrase of the Rule. So too, the "proper case" language manifestly does not, and cannot, serve to circumvent the protections built into Rule 19 (requiring that a necessary party be subject to service of process, or if not, determining whether to dismiss the case or proceed in the party's absence) by relying on a district court's attempt to bind a party that it does not have jurisdiction over.[7]

C. The Authorities Relied Upon by Joy Are Not Apropos.

Contrary to Joy's assertion, the questions presented by Flakt are not "squarely at odds with all four circuits that have spoken on the point," (Joy Opp'n at 8). *None* of the circuit courts referred to by Joy was confronted with, let alone decided, the issue of whether Rule 19(a), as amended in 1966, permits a court to join in the action an involuntary plaintiff, over whom the court has no jurisdiction, so as to save the action from a dismissal under Rule 19(b).

Joy's attempted critique of Judge Wright's decision in *Catanzaro v. International Telephone & Telegraph Corp.*, 378 F. Supp. 203 (D. Del. 1974), which Joy says was expressly "not followed" eight years later in the very district of decision, fails on two counts. First, the characterization of *Catanzaro* in the 1980 case of *Rose Hall, Ltd. v. Chase Manhattan Overseas Banking Corp.*, 494 F. Supp. 1139, 1150 n.14 (D. Del. 1980) as "stand[ing] alone in holding that only if one is subject to personal jurisdiction can he be made an involuntary plaintiff" was dictum

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7. Fed. R. Civ. P. 82; *Contracting Div., A.C. Horn Corp. v. New York Life Ins. Co.*, 113 F.2d 864, 865 (2d Cir. 1940) ("the [Federal Rules of Civil Procedure] shall not be construed to extend the jurisdiction of the district courts").

and incorrect.[8] Second, nine years later, the very same district court, which decided both *Catanzaro* and *Rose Hall*, expressly *followed* the reasoning and holding of *Catanzaro*. *Erbamont, Inc. v. Cetus Corp.*, 720 F. Supp. 387, 394 (D. Del. 1989).

Joy's brief discussion of *Erbamont* reveals the fundamental error in Joy's analysis of Rule 19, the very same analytical error engaged in by the district court here and affirmed by the Federal Circuit. Rule 19 contemplates that a court can, under Rule 19(a), identify a person who should be joined in the action, yet find that the person's joinder is, however, not "feasible" because the person is not subject to service of process. The court then only has two options available under Rule 19(b), it may either continue in the person's absence if, based upon analysis of the factors described in Rule 19(b) and whatever protective measures may be necessary, it determines that "in equity and good conscience the action should proceed," or it must dismiss the action, "the absent person being thus regarded as indispensable." What *cannot* be done, however, is to determine that a party over whom a court lacks jurisdiction is necessary under Rule 19(a), and indispensable under Rule 19(b), and then go back to Rule 19(a) to join the party as an involuntary plaintiff, disregarding the fact that Rule 19(a) does not apply to this party because it is not subject to service of process. This type of analysis has the effect of nullifying the Rule 19(b) analysis, and ignoring the plain language of Rule 19(a), altogether.

The reality is that other than the district court and the Federal Circuit decisions in this action, those courts that have been directly confronted with the issue, and which engaged in

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8. At least four other courts had at the time of *Rose Hall* reached the same, or similar, conclusion as Judge Wright in *Catanzaro*. *See, e.g., Tycom Corp. v. Redactron Corp.*, 380 F. Supp. 1183 (D. Del. 1974); *Duplan Corp. v. Deering Milliken Research Corp.*, 522 F.2d 809, 814-15 & n.8 (4th Cir. 1975); *Contracting Div., A.C. Horn Corp. v. New York Life Ins. Co.*, 113 F.2d 864, 865 (2d Cir. 1940); *Messerschmitt-Boelkow-Blohm GmbH v. Hughes Aircraft Co.*, 483 F. Supp. 49 (S.D.N.Y. 1979).

studied analysis of it and contemporary notions of due process, have determined that the plain language of Rule 19(a) precludes the joinder of an involuntary plaintiff that took place here. The Federal Circuit decision in this action, its first holding on the issue,[9] and more particularly a matter which arises near-exclusively in the field of patent law, incorrectly reached a contrary result.

CONCLUSION

For the reasons given herein and in the Petition for Certiorari, it is respectfully submitted that the questions presented by Flakt are of significant importance and require a clear and authoritative decision of this Court.

Respectfully submitted,

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9. It is folly for Joy to assert (Joy Opp'n at 8) that the Federal Circuit opinion in *Abbott Laboratories v. Diamedix Corp.*, 47 F.3d 1128, 1133 (Fed. Cir. 1995) in any manner constitutes authority contrary to Flakt's position. The statement in *Abbott Laboratories* regarding Rule 19 and involuntary plaintiffs was purely dictum. In that case, the panel was not presented with a situation in which the patent owner could not be joined and was resisting joinder; quite the contrary, the appeal related to the patent owner's desire to *join* the action. *Id.* at 1129, 1133.